VANCOUVER
CONVENTION CENTRE EXPANSION
PROJECT

2006/07 - 2008/09 Service Plan

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Message from the Board Chair to the Minister Responsible

To the Minister of Tourism, Sport and the Arts

On behalf of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP) Board of Directors, I am pleased to present the Corporation's Service Plan for the fiscal years 2006/07 through 2008/09.

VCCEP was incorporated on February 13, 2003 to design, construct, and commission an expansion to the existing Vancouver Convention and Exhibition Centre, including a connector between the new and existing facilities, and to undertake renovations within Canada Place.

This exciting Project will provide much needed expansion of convention facilities in the Lower Mainland. On completion in 2008, the expanded convention centre will feature 722,000 square feet of function space and 384,000 square feet of back of house and support space allowing for conventions of up to 10,000 delegates and operating at close to one million delegate days per year.

The VCCEP Project Team has completed much of the preliminary work including the completion of schematic design and securing the required environmental and development permits. The Project scope, budget and schedule were approved by the shareholder in July 2005.

The Project Team has now progressed to the intensive planning, design, and implementation stages. Over the next year, VCCEP will complete detailed construction drawings and documents, complete the site preparation, and satisfy the 'prior-to' conditions associated with the City's Complete Development Permit.

VCCEP looks forward to constructing, commissioning and delivering this state-of-the-art convention facility expansion. The new Convention Centre will have positive long-lasting impacts on tourism and the local economy, will contribute to the long term economic growth of British Columbia, and will be showcased to the world in 2010 when it will serve as the International Broadcast Centre for the Winter Olympic and Paralympic games.

The 2006/07 — 2008/09 Vancouver Convention Centre Expansion Project Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets which are based upon the progress of the Project to date and an assessment of the environment in which VCCEP is proceeding with its design and construction of the Expansion Project. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of January 26, 2006 have been considered in preparing the plan. I am accountable for ensuring the Vancouver Convention Centre Expansion Project Ltd. achieves its specific objectives identified in the plan and for measuring and reporting actual performance. The performance targets in this plan have been determined based on an assessment of Vancouver Convention Centre Expansion Project Ltd.'s operating environment, forecast conditions, risk assessment and past performance.

Ken Dobell, Chair
VCCEP Board of Directors

Organizational Overview

The Vancouver Convention Centre Expansion Project Ltd. (VCCEP) is a Provincially held limited corporation incorporated under the BC Business Corporations Act. VCCEP was established to design, build, and commission the Vancouver Convention and Exhibition Centre Expansion Project.

VCCEP reports to the Minister of Tourism, Sport and the Arts through a six person Board of Directors who provides direction and leadership to the Corporation:

- Ken Dobell (Chair) — Independent Consultant, former Deputy to the Premier
- Virginia Greene — Deputy Minister of Tourism, Sport and the Arts
- Terry Lyons — Chairman, Northgate Minerals Corporation
- Grant Ritchie, P.Eng. — Independent Consultant, former Senior Vice President, UMA Engineering Ltd.
- Paul Taylor (Chair, Audit Committee) — President & CEO, ICBC
- Andrew Wilkinson — Lawyer, former Deputy Minister, Ministry of Economic Development

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment. The Board of Directors appoints a President and Project Director to manage the completion of the Expansion Project in accordance with VCCEP's corporate principles and policies.

VCCEP has undertaken frequent discussions with PavCo's convention centre management (VCEC) on all design matters potentially impacting future operation. To ensure communications between the two Provincial companies are effective, VCCEP's Board has initiated joint Directors' meetings on a regular basis.

VCCEP has no employees. It utilizes the equivalent of fourteen and one half (14.5) FTE's of contract and seconded project management and administrative staff.

The Corporation's Project office is located, and may be contacted, at:

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Expansion Project Overview

The scope of the Project includes: the design, construction and commissioning of an expansion to the existing Vancouver Convention and Exhibition Centre, a connector between the new and existing facilities, and renovations to facilities within Canada Place.

In July 2005, the Project Budget was approved at $615.0 million with contributions confirmed as follows:

	($ in millions)
Province of BC	$272.5
Government of Canada	222.5
Tourism Vancouver	90.0
VCCEP-Generated Revenue	30.0[1]
Total Contributions	$615.0

[1] *VCCEP is negotiating revenue generation through a number of supplier and commercial programs. At the direction of the shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Provincial contribution, or, taken over a period of years to potentially offset annual operating costs of the Convention Centre. It is estimated that up to $60.0 million of revenue could be realized.*

The Expansion Project is scheduled for completion by Fall 2008 and is on track for that date. The schedule recognizes that the existing facility will then undergo modifications and the entire facility will be made available as the international broadcast and media centre for the 2010 Olympics. The schedule will be regularly reviewed and updated throughout the life of the Project.

Since our last report in September 2005, VCCEP has made progress as follows:

- Site preparation and ground densification activities are substantially complete. Off-shore compaction grouting will be completed in the first quarter of 2006/07.
- Pile driving is at the 77% (January 2006) stage.
- Tendered 52% (January 2006) of its construction requirements and has closed RFP's for all of its currently contemplated activities.
- Updated the Project Implementation Plan to incorporate the Project's Scope, Schedule, and Budget approved by the shareholder in July 2005.

VCCEP is currently undertaking the following:

- Completion of construction documents (currently 50% complete as of January 2006).
- Exploring options to maximize the sustainable attributes of the new facility.
- Exploring options to leverage the return on the public investment in the facility by identifying third party contributions towards enhancements to the facility that are beyond the approved budget and scope.

For the balance of fiscal 2005/06, the Corporation's role will further transition from design development and planning to construction and Project delivery.

Other Projects Overview

VCCEP has entered into the following third party Agreements with other funding agencies for the construction of facilities that are ancillary to the Expansion Project.

1. Earth Retaining Structure (City of Vancouver Parkade)

   The City of Vancouver contributed $4.1 million to VCCEP for the construction of this structure which will underly the future Thurlow Plaza and the transition zone to the Vancouver Parks Board lands to the west of the Project. This structure houses 100 parking stalls that will be accessible from Lower Waterfront Road. This project is at the substantial completion stage and will be completed within budget.

2. Water Management Showcase Project

   Western Economic Diversification Canada (WED) has agreed to contribute $2.1 million for a water management showcase project that is incremental to the Expansion Project. This project, which includes a blackwater treatment plant and a desalinization plant, is scheduled to be completed in 2008. This project will be completed within WED's contribution. To date, WED has contributed $0.9 million. The balance of funds will be received from WED as expenditures are incurred.

Strategic Context

Vision: To position Vancouver as a global destination in the convention centre market and create a unique waterfront experience for visitors and citizens alike.

Mission: To create a world class convention facility while simultaneously completing the vibrant urban experience for the people of Vancouver.

Planning Context

VCCEP was incorporated in February 2003 for the purpose of designing, building, and commissioning the new convention and exhibition centre facilities, renovating the existing leased facilities within Canada Place, and linking the two sites to form an integrated convention and exhibition centre. As such, a number of factors may influence the Corporation, presenting challenges, opportunities, and risks.

Confirmed contributions for the Project total $615.0 million — the Province of British Columbia (up to $272.5 million); Government of Canada ($222.5 million); and Tourism Vancouver ($90.0 million). The balance of $30.0 million required will be funded by VCCEP through its generation of revenue through a number of supplier and commercial programs. At the direction of its shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Provincial contribution, or, taken over a period of years to potentially offset operating costs of the Convention Center. Generation of up to a total of $60.0 million in revenue is considered feasible.

VCCEP is developing additional sustainability–related enhancements to the Project and is continuing its pursuit of additional federal funding for them. VCCEP is also reviewing opportunities to leverage the public investment in the Project by obtaining funding from independent third parties who may be interested in contributing to other enhancements and betterments that are outside of the Project's approved budget and scope.

Risk Factors and Mitigation

VCCEP has undertaken extensive third-party reviews and value engineering that provide reasonable confidence the approved scope of the Expansion can be built within its approved budget. Stringent management processes have been put in place to mitigate the possibility of residual risk of cost escalation during the Project construction schedule exceeding VCCEP's budgeted contingency.

Specifically, a rigorous risk management plan built on industry best practices and a strict regime of written procedures and controls for contingency management has been established by VCCEP's Board of Directors. A Project contingency (centralized, unallocated budgetary reserve) has been established to cover unforeseen costs which are likely to occur within the defined Project scope of work. Typical elements of uncertainty include design development; poor or unknown soil conditions; labour availability/productivity disruptions; new technology costs or delivery times; unsecured insurance claims; and changes in design criteria.

Also, a probability-based system has been established to forecast the likelihood and expected financial impact of potential draws on contingency. An analysis of forecast 'pressures on remaining contingency' is prepared monthly by senior Project personnel as part of comprehensive cost review meetings and is presented to the Board.

In addition, VCCEP has established three allowances within its budget for anticipated/identifiable risks associated with items whose scope may not have been fully determined at the time the Project Budget was prepared. These budgetary provisions for design, escalation, and construction allowances are tightly managed but are expected to be fully expended over the course of construction.

The design allowance is available for design evolution and development, but not for changes in scope.

The escalation allowances is based upon market conditions and is allocated on a trade by trade basis against the Project schedule, and ranges from 2% to 5% for some trades, with others as high as 16% (metals).

The construction allowance is a general allowance to cover items such as unexpected site conditions/soils, design revisions/coordination, owner requests, acceleration, environmental, code requirement, and contract scope changes. It is based on historic performance of similar projects and the experience of the Project Team and consultants.

Rigid control and monthly forecasting of contingency and allowance utilization and forecast pressures on remaining contingency, are proven tools to enforce cost control discipline on the Project Team (especially with respect to change order and claims management).

To mitigate construction risks directly, VCCEP continues to undertake extensive third-party reviews and value engineering as well as receiving frequent re-confirmation from its architects, cost consultants and its pre-construction contractor that the enhanced scope of the Expansion facility can be completed within its approved budget. VCCEP also employs best practices in its construction procurement (52% concluded at January 2006) including open tendering, international bidding, and a fairness commissioner on major awards.

Objectives

The Vancouver Convention Centre Expansion Project objectives are to create an expanded facility that would:

1. Allow Vancouver to remain competitive in convention markets by retaining existing events which are expanding beyond current capacity and securing new meeting, convention and event business.

2. Generate economic benefits through jobs and tax revenues from out-of-province visitors that will provide governments with the opportunity to enhance Provincial and Federal revenues.

3. Complement the role of Canada Place as an internationally recognized symbol welcoming visitors to Canada and as a signature feature of the Vancouver waterfront.

4. Maintain and enhance features that have given Vancouver its competitive edge in the market.

5. Meet a high level of environmental and sustainability standards for convention centres, thereby enhancing Vancouver's position in the marketplace.

6. Provide significant public amenities and meet the requirements for a desirable city context.

VCCEP has developed a comprehensive Project Implementation Plan (PIP). The PIP is a critical component to the successful planning and delivery of the Expansion Project.

The PIP provides the Project Team with a common understanding of the fundamental goals and objectives of the Project, and its scope, budget, schedule, and procedures adopted to meet those goals. It is the baseline document that defines the Project and how it will be implemented. The PIP was reviewed and approved by Treasury Board and has been signed off by Tourism Vancouver, the Government of Canada and by PavCo/VCEC (the existing Convention Centre operator).

VCCEP's Project Implementation Plan focuses on three distinct areas.

Volume 1: Project Definition specifies issues of scope, budget, and schedule, identifies key issues, and introduces the corporate organization.

Volume 2: Implementation Strategies documents a series of implementation strategies for key components of the Project, including Project Team organization, design, and cost management strategies, financial considerations, value engineering, reporting, communications, and the approaches taken with respect to important aspects of Project implementation planning.

Volume 3: Project Controls and Procedures details controls, procedures, and processes that have been implemented by VCCEP for the proper analysis, control, reporting, and management of key Project elements.

Goals and Strategies

Goal #1: To design, build and commission an expansion to the existing Vancouver Convention and Exhibition Centre (the Expansion Program), to design and construct a connector between the new and existing facilities (together the Integration Program), and to undertake renovations within Canada Place (Upgrade Program).

Strategies:

- Meet schedule, budget, and quality objectives through continuous and rigorous monitoring of progress towards achievement of Project milestones and by transparent Corporate reporting on a monthly, quarterly and annual basis.

Goal #2: To effectively manage the Project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget.

Strategies:

- Follow the Province's governance guidelines to ensure practices are consistent with corporate governance standards for BC's public sector organizations.

Goal #3: Implement and manage an effective revenue generation program.

Strategies:

- Identify potential sources of revenue and initiate agreements for the creation of business alliances.

Performance Measures and Targets

The following Project milestones represent significant stages of completion of the Expansion Project. The Expansion Facility and its Connector to Canada Place must be ready for operation by PavCo/VCEC in the fall of 2008 and will be showcased to the world during its use as the international broadcast centre during the 2010 winter Olympic games.

	MEASURE	ACTUAL	FORECAST	TARGETS		
		2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Goals 1 & 2	Foundation Construction	Commenced			100% Complete(1)	
	Pile Driving	Commenced		100% Complete(1)		
	Design Development	Commenced	100% Complete			
	Structural Steel Erection			To Commence(1)	100% Complete(1)	
	Construction Documents	Commenced		100% Complete		
	Canada Way Viaduct	Commenced	100% Complete			
	Expansion Facility & Connector Construction		To Commence			100% Complete
	Canada Place Upgrades				To Commence	To complete in subsequent fiscal years
Goal 3	Revenue Generation (2)		To Commence			To complete in subsequent years

The construction of the Expansion and connector is forecast to be completed in 2008/09. The Canada Place upgrades are forecast to be completed in 2009/10.

VCCEP's other projects will be completed as shown below.

	MEASURE	ACTUAL	FORECAST	TARGETS		
		2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
	Water Management Showcase Project	Commenced				100% Complete
	City of Vancouver Parkade	Commenced	100% Complete			

Linkages to Government Strategic Priorities

VCCEP's Service Plan strategies are consistent with and support the government's February 2005 Throne Speech priorities. VCCEP is an integral part of the government's plan to promote economic growth and job creation in British Columbia's economy.

The state-of-the-art convention centre and upgrades to the existing Convention Centre will generate positive, long-term impacts on tourism and contribute to future economic growth for British Columbia and Canada. Project benefits arise firstly from its construction, followed by the incremental convention attendance and onward visitation of non-resident delegates, and finally by repeat tourist visits by previous delegates and their families. All of these events create or sustain employment, and generate economic activity throughout British Columbia.

Summary Financial Outlook

Capital Contributions

	($ thousands)
Province of BC	$272,500
Government of Canada	222,500
Tourism Vancouver	90,000
VCCEP Revenue Generation	30,000[1]
Total Contributions	$615,000

[1] *VCCEP is negotiating revenue generation through a number of supplier and commercial programs. At the direction of the shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Provincial contribution, or, taken over a period of years to potentially offset annual operating costs of the Convention Centre. It is estimated that up to $60.0 million of revenue could be realized.*

Summary Financial Outlook ($ thousands)

	Actual	Forecast	Targets		
	2004/05	2005/06	2006/07	2007/08	2008/09
Revenue[1]	495	51	51	51	15,428
Expenses[2]	104	97	30	5	15,428
Net Income	391	(46)	21	46	-
Retained Earnings	1,162	1,116	1,137	1,183	1,183
Province of BC Capital Contribution	65,148[3]	69,500	70,852[4]	-	-
Government of Canada Capital Contribution[5]	31,387	44,139	76,709	51,636	8,352
Tourism Vancouver Capital Contribution	9,300	19,000	29,600	24,700	7,400
VCCEP Revenue Generation[6]	1,813	4,000	11,500	9,000	27,500
Project Capital Expenditures[7]	49,791	95,620	154,894	170,528	87,266
Debt	-	-	-	-	-
Staff (full-time equivalents) [8]	15	14.5	14.5	14.5	14.5

[1] Tenant revenues to 2007/08; recognition of deferred capital contributions beginning in 2008/09.

[2] Property tax in 2004/05; amortization expense on Project office assets to 2007/08; amortization of Expansion facility beginning in 2008/09.

[3] Provincial contribution includes $62 million cash and $3.148 of pipe in-kind.

[4] The timing of this contribution may be dependent upon actual VCCEP revenue generation receipts.

[5] Government of Canada contributions received as reimbursements against eligible expended Project capital expenditures.

[6] Revenue generation includes cash management, commercial / supplier programs, and in-kind donations. Estimates are based upon funds generated to date and upon written responses submitted by respondents to VCCEP Requests for Proposals. This program will complete in future years.

[7] Expenditures will continue into 2009/10. Other than expenses in Note 2 above, VCCEP incurs no operating costs. All expenditures are capitalized to the Project.

[8] VCCEP has no employees. It utilizes the equivalent of fourteen and one half (14.5) FTE's of contract and seconded project management and administrative staff.